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STATE FOR S/CT AND FOR NEA MAG

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TAGS: [EFIN](#) [KTFN](#) [PTER](#) [MO](#)  
SUBJECT: NO HAWALAS PLEASE, WE'RE MOROCCAN

Classified By: Principal Officer Douglas Greene  
for reasons 1.4 (b) and (d)

¶1. (SBU) Summary: Despite government denials, it appears "hawalas" and other informal money-transfer mechanisms are alive and well in Morocco. (Hawala, meaning "trust", is an informal money transfer system characterized by low cost and lack of transparency.) Government of Morocco (GOM) officials strongly and consistently deny that hawala exists in Morocco and cite current laws prohibiting non-licensed banking institutions (even while admitting the GOM has not charged or prosecuted a single hawala case in recent years.) Meanwhile, banking contacts scoff at the idea that hawalas "don't exist" but concede they are not nearly as prevalent as compared to other parts of the Arab world. Ministry of Finance (MOF) officials recount recent efforts by the GOM to strengthen Morocco's banking and financial system, including passage of Morocco's long-awaited Anti-Money Laundering (AML) legislation. However, banking professionals warn of the immediate effects following AML implementation, with some forecasting dramatic reductions in commercial bank deposits and a steep spike in illegal, and possibly hawala-facilitated, cash transfers. End Summary.

¶2. (SBU) Abdelaziz Al Khaoua, Chief of the Ministry of Finances's (MOF's) Credit Division, told Econoff that under Morocco's current laws it is illegal for any individual or institution to engage in any type of banking transaction without express authorization from the MOF. Penalties in Morocco can be severe, including hefty fines and even jail time. The definition of "banking transactions" is deliberately broad and encompasses anything related to collecting and holding deposits, extending credit and transferring or exchanging of currency. In addition, Morocco's strict currency controls prohibit exportation of the Moroccan dirham. The GOM does however allow limited financial transfers abroad to facilitate international tourism as well as for investment, education and health care purposes. Moroccans wishing to transfer money abroad (within the legally imposed annual limits) must exchange their dirhams in Morocco and send the money via an MOF-authorized banking institution. Hawala and other informal money transfer devices are illegal in Morocco and officially do not exist. At the same time, Al Khaoua admitted that GOM has not charged or prosecuted a single hawala case in recent years.

¶3. (SBU) Banking contacts tell Emboffs that hawala systems most certainly do exist in Morocco, but concede it is not nearly as prevalent as in other parts of the Arab world. Part of the reason is cultural- hawala systems do not have the same strong cultural roots in Morocco as in Gulf Arab countries and South Asia. Banking contacts add that Morocco

also has a fairly well developed financial system offering accessible, affordable and fast money transfers to much of the population. For example Wafa Cash, in partnership with Western Union, (and ubiquitous in most large Moroccan cities) can transfer money almost anywhere in the world. Hawala systems more commonly service populations without access to a formal financial sector. That said, contacts tell us Moroccan elites allegedly use hawala to help finance expensive vacations abroad that would otherwise exceed the GOM-imposed limits on currency exportation. In addition, consular section colleagues familiar with local financial statements suspect that many affluent Moroccans shelter their wealth in Europe, but Conoffs remain unsure how the money is transferred there.

14. (C) Local financiers warn that pending AML legislation, although beneficial in the long-run, may have the immediate effect of driving Morocco's large informal sector even more toward alternative, illegal financial devices and encourage growth of informal money exchange and hawala services. (The World Bank estimates that the informal sector accounts for almost 40% of Morocco's GDP.) Financial sector contacts forecast decreases in bank deposits and a steep spike in illegal cash transfers immediately following implementation of AML. This fear has mobilized Morocco's biggest banks. Pressure from Morocco's six largest banks is often cited by business contacts as a contributing, if not the primary cause of continued GOM delays in adopting AML legislation. "The risks have been high enough that the big six have used all their influence (to delay)," explained Citicorp vice-president Soundous Bouhia, "But (AML) is inevitable. We need it to draw international investment and everybody knows it."

15. (C) COMMENT: Without a means to measure, it is impossible to know with any certainty the size, scope and reach of hawalas and other informal money-transfer systems in Morocco. GOM "official" denials and apparent lack of zeal in prosecuting hawalas does not inspire confidence, but is somewhat assuaged by private sector assurances that hawalas really are not all that prevalent in Morocco. That said, while we have no direct evidence linking Morocco-based hawalas to financing of terrorist activities, its role in Morocco's large informal economic sector remains a cause for concern. Even if there are no hawalas per se, it is not unreasonable to suspect that in addition to drugs, contraband and people, Morocco's sophisticated smuggling networks are equally adept at moving cash across national borders. While the GOM's pending AML legislation is a necessary, valuable (and long overdue) tool, banking sector professionals have valid fears that increased scrutiny will push more of their business underground. Efforts and assistance to help de-emphasize and absorb the informal sector, including hawalas, will not only improve GOM tax receipts and Morocco's investment climate, but will also help contain the growth of informal money transfer mechanisms, thus reducing their availability to finance terrorism in Morocco and elsewhere.

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